

# **CAPITAL MARKETS DEVELOPMENT PROJECT IN THE REPUBLIC OF ARMENIA**

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

**QUARTERLY REPORT FOR THE PERIOD  
ENDING JUNE 1999**

**Contractor/Submitting Party: PricewaterhouseCoopers LLP**  
**Contract Number: EPE-I-00-95-00043-00**  
**Task Order Number: 11**



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**Capital Markets Development Project in the Republic of Armenia**

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42/1 Arami Street, Yerevan, Republic of Armenia  
Հայաստանի Հանրապետություն, ք.Երևան, Արամի 42/1

Phones: (3742) 589286, 589201, 589160  
585232, 566526

Fax: (3742) 151275

Gov: (3742) 5708

**TO: Ann Richards COTR, USAID/Washington**  
**Michael Greene, USAID/Yervan**  
**Debra Mosel, USAID/Yerevan**

**CC: Dick Breen, PricewaterhouseCoopers**

**DATE: July 15, 1999**

**Quarterly Report for the Period Ending June 1999**

In addition to those set forth below by Task, activities during the quarter included various meetings and discussions with, among others, representatives from World Bank (WB) [concerning a possible WB loan to the Government of Armenia (GOA) to support development of the Central Depository of Armenia (CDA)], International Financial Corporation (IFC)/DC and, as well, the IFC Corporate Governance Project in Armenia; Advisor to the President of Armenia, Vahram Nercissiantz [concerning the state of capital market development in the Republic of Armenia (ROA)]; Head of the Law Department of the National Assembly of Armenia (NA); US Treasury Advisor to the GOA, George Giannaris; American attorney Thomas Samuelian (concerning the current state of capital market development in the ROA); Fulbright Scholar and Visiting (Economics) Professor at Yerevan State University, David Bartlett (concerning the state of capital market development in the ROA); and, as well, various meetings or discussions involving USAID Representative Michael Greene and/or representatives of various of the other USAID-sponsored economic reform projects including representatives of the USAID Privatization Support Project (to coordinate support for the privatization activities which are to take place under this project – see below SRS Program activities as set forth under Tasks A and F), the USAID Accounting Reform Project [specifically, PR Specialist, Alan Mattern – to coordinate PI (Public Information) efforts in connection with obtaining passage of the draft Law on Securities Market (draft Law) presently pending before the NA] and the USAID Training for Societies in Transition Project (AED); and the USAID Administrative Law Project.

To assist in the above and various of the activities set forth below, during the quarter, in addition to our three long-term advisors, the technical assistance (T/A) services of various Expatriate and Third Country National capital markets specialists and attorney advisors were called upon.

***1. Task A. Assistance to the SMI (“Securities Markets Inspectorate”) formerly known as the Securities and Exchange Inspectorate or “SEI”***

Primary activities to provide assistance to the SMI focused on the following:

- i) Obtaining passage by the National Assembly of Armenia (NA) of the draft proposed Law on Securities Market (draft Law). During April 1999, the draft Law was placed on the Agenda of the NA. However, because of unrelated issues arising in the pre-election run-up to the NA elections which were held at the end of May 1999 (efforts by some

MP's to have the NA consider a roll back of the electric energy rate increases passed by the NA in December 1998), due to the lack of a quorum in the NA (see **Attachments 1 and 2**) little activity occurred during the months of April and May 1999. Notwithstanding, to be fully prepared for a possible "first reading" of the draft Law, substantive efforts were made with MOFE Deputy Minister Mouradian to prepare a concise presentation and analysis of the draft Law for presentation to the NA. During April, comments on the draft Law were received from Vladimir Nazaryan, Head of the Law Department of the NA, and reviewed with him and members of his staff at a meeting held on April 27, 1999 (see **Attachment 3**). In this connection, in support of the draft Law, we also participated in and presented information on securities market regulation and the benefits of a well-regulated securities market and practices from the standpoint of international standards and practices [the IOSCO (International Organization of Securities Commissions) and FIBV (International Federation of Stock Exchanges) endorsed "Objectives and Principles of a Regulated Securities Markets" were used] at a seminar on "Problems of Capital Market Development in Armenia" co-sponsored by the EURASIA Foundation and SED MARSED Consulting Firm (SED MARSED) and held on April 14, 1999. In addition, we also prepared and submitted to SED MARSED (for inclusion in a EURASIA Foundation sponsored publication on "Problems of Capital Market Development in Armenia") an article on the need for a well-regulated securities market (the lack of same being a problem currently affecting the development of efficient and functional capital markets) in Armenia (see **Attachment 4**).

Efforts to have a first reading of the Draft Law were, however, unsuccessful as the unrelated issues referred to above prevented activity on the floor of the NA as a quorum could not be formed. Notwithstanding, to assist the GOA (MOFE/SMI) to be fully prepared to present the draft Law (in the event that a quorum was to be formed), during May 1999, various "sets" of information were prepared for SMI Head Karapetyan for dissemination to major factions of the NA. To this same end, television programming was developed and first aired during May 1999 with assistance from the Sibley "PI" Team to inform the citizens of Armenia about the Draft Law and its purposes, and the benefits its passage could bring to assist Armenia's transition to a market economy.

During June 1999, in the aftermath of the NA elections and resulting changes in the GOA which occurred during that month, efforts focused on developing an appropriate strategy to have the draft Law, which was returned by the NA to the GOA, returned to the NA and granted "priority" status for early placement on the agenda of the NA. For a memorandum on the status of the draft Law as at June 1, 1999 (the time it was returned from the NA to the GOA), see **Attachment 5**. In an effort to do this, various discussions and meetings took place with and were directed through former Deputy Minister MOFE Mouradian (as a result of the NA elections and GOA changes referred to above, Mr. Mouradian lost his office as Deputy MOFE) and SMI Head Karapetyan. To this end, a second television program (Television Program) was developed and aired at the end of June to inform the citizens of Armenia about the draft Law and its purposes, and the potential benefits its passage would bring to assist Armenia's transition to a market economy. For a copy of the transcript of the Television Program, see **Attachment 6**;

- ii) Efforts to assist the institutional development of the SMI included, among others, staff training and drafting assistance, and numerous meetings with the Head of the SMI (and various SMI staff) at which relevant securities market regulatory and developmental issues were discussed. During April 1999, these included extensive (as a part of our on-

going) training initiatives with the staff of the SMI (13 small group working sessions) in securities market regulation (see **Attachment 7**). Other efforts included continued support for development of the share registry and central depository functions of the “Central Depository of Armenia” (CDA). In this connection, various discussions took place involving SMI Head Karapetyan and Advisor to the Prime Minister Davtyan concerning, among other things, the structure and operations of the CDA, registry functions of the CDA, and the need to find temporary office facilities to which the CDA could be relocated after May 5, 1999 (at which time, for reason of its inability to meet rental obligations, the CDA was forced to leave its existing office facilities). Additional efforts included those to define registration and prospectus requirements, regulations on the “accounting rules” for reporting companies, and form and content of financial statement requirements for reporting companies – more specifically, regulations equivalent to Regulation S-X requirements in the US. During May 1999, Mr. Davtyan was appointed by the Prime Minister as “General Director” of the CDA. For an overview of proposed SMI institution building activities for the period beginning May 1999 to October 1999, see **Attachment 8**, a copy of which was provided to and reviewed with USAID Representative Ann Richards during her **project site visit** in May 1999;

- iii) Surveying all laws of the ROA as apply to securities market activities, including efforts to ensure the “harmonization” of the draft Law with same. In this regard, particular attention continued to be given to the Joint Stock Company (JSC) Law and, in particular, the recommendation of necessary amendments to the JSC Law (see **Attachment 9**) and the development of new regulations on the maintenance of share registries. The purpose of the proposed amendments and regulatory changes were, among others, to ensure the efficient functioning of future registry and depository activities. At this time, in an effort to coordinate activities under the Project involving amendments to the existing JSC Law with those involving USAID support for the drafting of a new JSC Law, a meeting was held with Michael Goldstein of AMEX International, the USAID contractor tasked to assist the drafting of a new JSC Law. For a memorandum on the status of the proposed amendments to the JSC Law as at June 1, 1999, see **Attachment 10**; and
- iv) Continuing efforts to build the functional capacity of the CMMU and to expand and improve the CMMU’s database (the latter activity focusing on continuing fact-finding efforts by the CMMU to gather and input additional necessary information into its database). Importantly, during April, in addition to various of the CMMU staff participating in the “pilot” phase share registry consolidation activities being conducted at that time (see below Task D), the staff of the CMMU received extensive training (12 small group working sessions) in securities market regulation (see **Attachment 7**). Other activities during April 1999 included continuing efforts by the CMMU to monitor activities of local professional securities market participants and news reports to gather information on activities and events affecting capital market activity in the ROA and, in preparation for its next major publication, to closely survey the broker/dealer industry. In this connection, during May 1999, the staff of the CMMU continued to gather and analyze information on broker-dealer activities. These activities were substantially completed during May 1999 and in early June 1999, the CMMU published its third major report entitled: “Analysis of the Broker/Dealer Industry”. For a detailed report on the activities of the CMMU for May 1999, see **Attachment 11**. During June 1999, the CMMU continued to gather and input additional information concerning securities market activities into its database which will soon be migrated to the SMI. For a copy of the CMMU’s Work Plan for June 1999, see **Attachment 12**.

In addition to the foregoing, other activities included continuing efforts by our Expatriate Investment Banking and Training Specialists to design and develop programs to provide T/A to the Ministry of Privatization (MOP) and/or the SMI. The first such effort focused on T/A to the MOP and SMI to facilitate the sale of state shares remaining in privatized enterprises in which the State owns less than 50% of the outstanding shares – the “SRS Program” – a primary purpose of which is to develop and enhance the capacity and skills of brokers and dealers to act as financial advisors and underwriters. For this purpose, two major training components were developed and delivered in April 1999 and efforts continued through this quarter to obtain GOA approval of the draft Decree (see **Attachment 13**) required to allow the SRS Program to go forward (see below Task F). The second effort is to provide T/A to the SMI to enhance the professional skills and qualifications of brokers and dealers – the “Broker-Dealer Qualification Training and Testing Program” – by expanding the SMI’s capacity to provide a more thorough qualification training and testing for the licensing of brokers and dealers in the ROA. For more details, see **Attachment 14**.

## **2. Task B. Development of Trading System**

During the past several months, as agreed with USAID Representative Richards, rather than focusing on efforts to promote the National Market System (NMS), efforts have been focused primarily on how to enhance the functional and operational capacity of the National Centralized Registry (NCR) of the Central Depository of Armenia (CDA) – for more details see below Tasks C and D. During February 1999, USAID Representative Richards authorized the purchase of certain “Phase I” purchases to enhance the functional capacity of the NCR and, in addition, other actions intended to allow the “mass” consolidation of share registries to begin as from May 1, 1999 (see Attachment 9 to the Monthly Report for February 1999). However, due to the need to temporarily relocate the NCR/CDA to another location (pending allocation by the GOA of new permanent quarters for the NCR/CDA), the installation of certain of the Phase I purchases were delayed until a temporary location was determined and made ready for use by the NCR/CDA. During May 1999, with approval of USAID Representative Richards, temporary office facilities were located and leased under the Project for use by both the NCR/CDA and the Project’s ten consolidation teams (see below Task D). During June 1999, we continued these efforts by installing the remainder of the Phase I purchases intended use of the NCR/CDA; and, as well as, installed separate LAN systems for use by the NCR/CDA and our consolidation teams.

Concerning activities envisaged to realize the NMS, discussions took place during May 1999 with USAID Representative Richards (at the time of her project site visit) which resulted in the finalization of a draft NMS Project Plan which was distributed to USAID Representative Richards and others on May 20, 1999 (see **Attachment 15**). It is also important to note that, in Tbilisi, Georgia, in early May 1999, with participation by one of our Expatriate IT Systems Specialists, USAID conducted a review of various automated trading and settlement systems currently within the USAID “family of systems” to see which systems have the functionality, commercial viability, and harmonization potential, etc. that would allow them to be used in the region (including Armenia), whether for use in development of the NMS or otherwise.

## **3. Task C. Development of Clearance, Settlement Process**

As previously reported, by the end of October 1998, our Expatriate central depository, clearance and settlement system design and development specialist (CSD Specialist) had completed the initial phase of his activities and delivered a detailed draft report on the functional specifications for an “Armenian Central Securities Depository” (CSD). During the

quarter, efforts moved forward to develop a revised detailed self-sustainability plan for the proposed NCR activities of the CDA.

During May and June 1999, efforts moved forward to develop a (revised) detailed self-sustainability plan for the NCR, a copy of which, in an effort designed to encourage and facilitate a loan from the WB to the GOA to support development of the NCR/CDA, was provided by us (with consent of the GOA) to the WB. In this connection, substantive efforts were put forth during May and June 1999 to assist the GOA to develop a detailed draft “Financing Proposal” for consideration by the WB (see **Attachment 16** and below Task D).

#### **4. Task D. *Development of Independent Registry(s)***

To implement the activities envisaged in this task, our Expatriate share registry design and development specialist (SR Specialist) together with our Third Country National share registry development and consolidation specialists (SRC Specialists) continued efforts to define the parameters for shareholder registry activities in the ROA. When fully developed, the parameters will include both general (required minimum) functional and specific requirements (to meet proposed changes to the Armenian laws and regulations on maintenance of a share registry). To that end, during the month of November 1998, our SRC Specialists reached conclusions concerning the functional requirements of the shareholder registry system. As discussed in greater detail below, the functional requirements which we identified have formed the basis for determination and recommendation of certain currently available registry software for use by the NCR/CDA. The specific requirements for the NCR/CDA system will be completed as proposed changes are adopted to the laws and regulations of the ROA which governs share registry activities. In this regard, during the quarter, proposed amendments to the JSC Law continued to be considered and recommended to the GOA (see **Attachments 9** and **10**).

As reported above, during February 1999, such sufficient progress had been made on reaching a basis of agreement between USAID and the GOA on the conditions for USAID support to the NCR/CDA that authorization was extended to make certain Phase I purchases to enhance the functional capacity of the NCR (see above Task B). At that time, efforts were also commenced to realize “pilot” and “mass” consolidation activities in accordance with a timetable and schedule which were agreed at that time with USAID Representative Richards. Accordingly, during March 1999, seven newly-hired teams of two consolidation specialists each were trained and pilot consolidation activities were launched beginning as from March 22, 1999 (see Attachments 13, 14, 15 and 16 to the Monthly Report for March 1999) and conducted through the period to April 21, 1999. With pilot consolidation activities concluded, training for “mass” consolidation was conducted during the latter part of April and mass consolidation activities were launched as beginning from May 1, 1999.

During May 1999, as a result of various meetings and discussions involving, among others, USAID Representative Ann Richards and our SR and SRC Specialists, at which time estimates were reviewed concerning the amount of time required to complete the mass consolidation process (see **Attachment 17**), a decision was taken and authorization extended by USAID Representative Richards to increase the number of consolidation teams (from seven) to ten. Accordingly, efforts were commenced in May 1999 to hire three additional teams of specialists who were later trained during June 1999 and made ready to support the mass consolidation process as effective from approximately July 1, 1999. For a summary of the results of mass consolidation activities through the end of the quarter, see **Attachment 18**.

During various of the referenced meetings and discussions with USAID Representative Richards (at which issues affecting the NCR/CDA were discussed), authorization was reconfirmed to (temporarily) bring the administrative and working staff of the NCR/CDA under the Project budget until such time as other arrangements were possible – such as, the possibility of partial funding for the NCR/CDA being made available by the GOA under a WB/GOA Loan.

During these same meetings with USAID Representative Richards, substantive discussions were also directed toward the time period envisaged as required to select, purchase, modify, install and bring into operational use the share registry software to be provided to the NCR/CDA (see **Attachment 19**). In this connection, further consideration was given to the two share registry systems previously determined as available from Russian software designers and the USAID “Rumanian” share registry system. However, as a result of efforts to determine the functional specifications of the Rumanian system (it being determined that, among other things, the Rumanian system would need to be modified to facilitate the handling of “materialized” shares) a decision was taken and confirmed at the end of the quarter by USAID Representative Richards that it would be more expedient and in the long run less costly to proceed with the most preferred of the two previously identified Russian share registry systems. Accordingly, our SRC/IT Specialist was tasked to finalize a comparative analysis of the two Russian systems and to make a recommendation as to the most preferred of the two systems. This process included further meetings and discussions with the designers of each system and on June 28, 1999, authorization was extended by USAID Representative Richards to proceed with the purchase of the AmberSoft Share Registry Software System (see **Attachment 20**).

Efforts also continued during the quarter to finalize and obtain GOA approval of an acceptable “Consolidation Order”, on the basis of which it could be reasonably assumed that the SMI possessed the requisite authority to enforce the requirement that all JSCs with 25 or more shareholders use the services of the NCR/CDA. We are pleased to report these efforts were successful and by the end of the quarter the necessary Consolidation Order had been obtained (see **Attachment 21**).

As previously reported, given that the aggregate number of shareholders for all privatized open JSC’s with 50 or more shareholders which is currently estimated not to exceed approximately 144,000 (and is estimated at approximately 151,000 for all privatized open JSC’s with 25 and more shareholders), it was agreed with representatives of USAID and the GOA that a single, centralized national shareholder registry (NCR), designed as a privately-owned, non-commercial structure (either as part of or electronically connected to the CSD) is, for sustainability and other reasons, the most feasible course for Armenia to pursue. As a result of this agreement, the Central Depository of Armenia (CDA) was created in April 1999 by a decree of the GOA which effectively reorganized the NCR into the CDA and added to its charter the functions of depository and clearance and settlement organization (see above Task B). To this end, efforts continue to redefine the laws and regulations of the ROA which govern share registry activities. In this regard, during the quarter, efforts continued to obtain necessary amendments to the JSC Law (see above Task A, and **Attachments 9 and 10**) and to define appropriate regulations to govern share registry activities in the ROA.

Given the foregoing, we have urged and continue to urge that, as a condition on USAID support to the NCR/CDA, the MOF/SMI require all JSC’s with 50 (now 25) or more shareholders to use the NCR/CDA and that enforcement of that requirement begins with companies listed and traded on Armenia’s four licensed stock exchanges. Additionally, we have in the past and would continue to recommend that all companies listed and traded on a

stock exchange be required to use the NCR (CDA) regardless of the number of the company's shareholders.

To assist with the above efforts, we continue to track and maintain a privatization database containing the names and location of all privatized companies and the number of shareholders of each company. As at the end of the quarter, the privatization database contained the names of 527 privatized companies believed to have 50 or more shareholders and 731 privatized companies believed to have 25 or more shareholders (see **Attachment 22**).

#### **5. Task E. Assistance to Trade Associations and Self Regulatory Organizations**

Efforts continued during the quarter to encourage and assist the development of trade associations (TAs) and Self Regulatory Organizations (SROs) among professional securities market participants (PSMPs). As previously reported, to facilitate the tasks set forth herein, an Expatriate specialist in trade association development and broker and dealer training (Training Specialist) was mobilized in October 1998 and was later joined in March 1999 by another such Training Specialist. This was done to provide for a successor to our initial Training Specialist, and to prepare the way for the presentation of the formal training programs designed by us to meet various of the needs and purposes of the SRS Program. More specifically, the broker-dealer training programs entitled: "Financial Advisory and Underwriting" and "Securities Firm Operations and Management" were developed beginning in February 1999, and completed and delivered in April 1999. Activities to facilitate development of the SRS training programs included, among other things, meetings and discussions involving the officers and/or members-at-large of the Securities Market Members Association (SMMA) and Financial Market Specialists Association (FMSA).

Building on these initiatives, during May and June 1999, substantive efforts continued involving representatives of the SMMA, Giumry Stock Exchange and SMI to develop a more adequate broker and dealer qualification training and testing program – "Broker and Dealer Qualification Training and Testing Program" – in the ROA (see above Task A). To this end, during June 1999, with assistance from representatives of the SMMA and Giumry Stock Exchange, we finalized preliminary efforts by developing for consideration by both our Training Specialists and the SMI, a set of 137 additional possible questions for consideration in the qualification training and testing process.

These activities have and will continue to be used as opportunities for discussion of the SMMA's objectives and to provide the SMMA and other associations with guidance concerning the purposes and benefits of TAs and SROs; and, as well as, to evaluate the present level of functional development of the TAs and their members. For more details, see below Task F. For a summary of activities over the past several months which have involved the SMMA and a description of SMMA needs going forward, see **Attachment 23**.

With regard to the activities of potential future SROs, meetings are from time to time held with representatives of various of Armenia's four licensed stock exchanges. These meetings are taken as opportunities to exchange views on a variety of relevant topics (including the draft Law) and to assist and guide the efforts of the exchanges in achieving both proper functionality and self-sustainability.

## **6. Task F.    *Training for Professional Market Participants***

As indicated above, to facilitate the activities specified in this Task and, as well, those specified in Task E, a Training Specialist was initially mobilized in October 1998. By the end of November 1998, as a result of numerous interviews and surveys conducted by the Training Specialist to evaluate the needs of the TAs and brokers and dealers (and all PSMPs) in the ROA, a draft training plan (Draft Training Plan) and a draft training schedule (see Attachment 17 of Monthly Report for November 1998) was prepared. For a copy of the Training Schedule as revised through March 15, 1999, see Attachment 20 to the monthly report for March 1999. During May 1999, a further revised “Training Program” for the project was developed and provided to USAID Representative during her **project site visit** (see **Attachment 24**). It is envisaged that all training programs developed for the TAs and brokers and dealers (and other PSMPs) will also be provided to or made available for participation by the staff of the SMI.

To complement the activities of our initial Training Specialist and, at the same time, supplement these efforts with much needed training for company managers and directors (as well as PSMPs and others) on the (financial) advantages of good corporate governance practices, an additional Training Specialist (our second) was mobilized in late January 1999. Together, during February 1999, the two Training Specialists developed and delivered two “workshop” styled programs on “Corporate Governance and Competitiveness” – one in Giumry and the other in Yerevan.

During March 1999, to implement certain of training activities set forth in the Draft Training Plan, our initial Training Specialist (who completed his activities during March 1999) provided training on a range of topics to a varied audience of brokers and dealers, many of whom are members of the SMMA and FMSA (see Attachment 21 to the Monthly Report for March 1999).

To further complement and supplement the activities of our initial Training Specialist, another such Training Specialist (our third) was mobilized during March 1999 to facilitate both the development and delivery of certain of the training under the SRS Program (**see below**) and, as well, to support certain of the purposes of the SRS Program by developing and delivering much needed training for brokers (and dealers) in brokerage operations and management. The latter training, styled as a “workshop”, was, in fact, provided during the month by this Training Specialist to an audience of as many as 64 participants with 54 participants attending and successfully completing all sessions of the workshop and receiving certificates of completion. The workshop was rated highly by those participating with over 98% indicating that they would recommend the workshop to their colleagues.

To facilitate a primary objective of the SRS Program – the capacity building of brokers and dealers to provide financial advisory and underwriting services – substantial efforts have been put forward during the past several months to realize the steps and actions necessary to formalize and implement the SRS Program. These have included efforts to establish the legal basis for the SRS Program – a GOA Decree – draft comments concerning which have been provided on various occasions to the MOP (see Attachment 22 to the Monthly Report for March 1999). In addition, draft Tender Procedures for Selection of Brokers for sale of shares of SRS companies have been provided to the MOP (see Attachment 23 to the Monthly Report for March 1999). To realize the training of brokers (and dealers) to accomplish the objectives of the SRS Program, substantive efforts were also put forward to satisfy the above referenced “primary objective” of the SRS Program by designing and developing a nine module training program (see Attachment 24 to the Monthly Report for March 1999) on financial advisory

and underwriting services. To this end, on April 8-10, 1999, a “workshop” styled training program entitled: “Financial Advisory and Underwriting”, was provided to an average audience of 45 participants with 39 participants receiving a certificate of completion for attending all sessions and successfully completing the workshop. The workshop was very highly rated by its participants with 100% of those surveyed indicating that they would recommend the workshop to their colleagues. A substantial majority of participants also indicated that the case study method used for the workshop, especially the “Red October” case study, was highly useful. Importantly, this workshop and the workshop mentioned above on “Securities Firm Operations and Management”, attracted widespread participation from Armenia’s eight largest securities firms, as well as five of its small or medium-sized broker-dealer firms; thereby, we believe, successfully providing necessary training across the broker-dealer community and satisfying a primary objective of the SRS Program.

Accordingly, by the end of the quarter, we were well along the way to having successfully prepared for the prompt commencement of SRS Program activities once the SRS Decree is passed, which activities are envisaged to require approximately 12 weeks commencing from date of the President’s approval of the SRS Decree to the time of the first “pilot” sales of SRS company shares.

In addition to the foregoing, other activities during the quarter to realize SRS Program activities included efforts to identify SRS companies from a list of proposed companies received from the MOP and the drafting of supportive documentation including a “Template for Full and Short Form SRS Company Information” (to be used in completing the offering prospectus for SRS company shares) and “Tender Procedures” for the selection of brokers to participate under the SRS Program. For an analysis of critical issues affecting the SRS Program at the end of April 1999, see **Attachment 25**. Accordingly, by the end of April 1999, we had successfully prepared the way to promptly commence SRS Program activities once a SRS Decree is approved by the GOA.

To complement these efforts and to keep the SRS Program progressing “on track”, substantive efforts were focused during May and June on obtaining finalization by the MOP and approval by the relevant Ministries [particularly MOF/SMI and Ministry of Justice (MOJ)] of a draft SRS Decree so that it might be placed for approval on the agenda of the GOA/Council of Ministers. These efforts included both written legal analyses and discussions with the staff of the MOP, SMI and MOJ to finalize the language of the draft SRS Decree (see **Attachment 13**).

In addition to the foregoing, efforts continued with the SMI to realize the Broker and Dealer Qualification Training and Testing Program (see above Tasks A and E, and **Attachment 14**).

Respectfully submitted,

Donald R. Hart  
Chief of Party/Project Manager  
USAID Capital Markets Development Project

**List of Attachments  
to  
Quarterly Report for the Period Ending June 1999**

Attachment 1.	Memorandum on Status of Draft Securities Market Law in the National Assembly dated April 13, 1999
Attachment 2	Memorandum on Status of Draft Securities Market Law in the National Assembly dated April 29, 1999
Attachment 3	Memorandum on Expert Opinion of Legal Department of the NA on Draft Securities Market Law dated April 5, 1999
Attachment 4	The Need for a Well-Regulated Securities Market – Article in “Capital Market in Armenia” Analytical Newsletter/SED MARSED/April 30, 1999
Attachment 5	Memorandum on Current Status of Draft Law on Securities Market dated June 1, 1999
Attachment 6	Memorandum and Script on “Progress TV Program Script” dated June 29, 1999
Attachment 7	Memorandum on SMI/CMMU Staff Training on Securities Market Regulation dated April 1999
Attachment 8	Memorandum on Work Plan for SMI for May to October 1999 dated May 10, 1999
Attachment 9	Memorandum on Editorial Amendments to Art. 34 and 41 of JSC Law Introduced by Mr. V. Nazarian, Head of NA Legal Department dated May 4, 1999
Attachment 10	Memorandum on JSC Law Amendments dated June 1, 1999
Attachment 11	Memorandum on CMMU Activities during May 1999 dated June 2, 1999
Attachment 12	CMMU Work Plan for June 1999 dated June 7, 1999
Attachment 13	Memorandum on Update on Status of Draft SRS Decision dated June 25, 1999
Attachment 14	Memorandum on Certification Program Implementation Work Plan dated June 24, 1999
Attachment 15	Draft Outline of NMS Project Plan dated May 20, 1999
Attachment 16	Project Financing Proposal for CDA dated June 28, 1999
Attachment 17	Mass Consolidation Schedule dated May 1999
Attachment 18	Armenian JSCs Share Registry Consolidation Status Report dated June 28, 1999
Attachment 19	Draft Schedule on Acquisition of Share Registry Software dated May 9, 1999
Attachment 20	E-mail from USAID Representative Ann Richards on Recommendation of AmberSoft Share Registry System dated June 28, 1999
Attachment 21	Memorandum on Consolidation Order Approval by Ministry of Justice dated June 28, 1999
Attachment 22	Information on Privatized JSCs with 25 or More Shareholders dated June 29, 1999
Attachment 23	Memorandum on Activities of Securities Market Members Association and Its Further Work dated June 10, 1999
Attachment 24	Revised “Training Program” dated May 19, 1999
Attachment 25	Memorandum on SRS Programs: Achievements To Date, New Activities and Pilot dated April 30, 1999